

How America Is Groping to Find a Way Out of the Railway Muddle

Caravans of Motor Trucks Peace Utilities

European Countries Likely to Copy the American Motor Transport Idea

By-Product of the War

Bring Railroads to Inaccessible Farms and to the Doors of Industrial Plants

By B. W. Babcock

THE taking over of the short haul of the entire world by the American motor truck—

The establishment throughout Europe and the United States of a system of production and distribution so fine that it practically means a railroad direct to the door of every place of production and a railroad direct to every place of consumption—

The founding of a marketing system so complete that it buys the product at the place of its origin and sells it with the least economic waste and effort directly at the place of its consumption—

These are some of the new systems—innovations—that America owes to her magic of war, now become her magic of peace, or will owe—things that have been effected through the instrumentality of a striving country, a living, breathing national entity, with her material resources completely mobilized for war purposes, intent on saving the best in humanity, but nevertheless throwing off valuable by-products.

It is obvious that under the spur of war and the breakdown of the country's railroads at a critical time in the history of the world, the motor truck leaped into the breach and built up a system of collection that extended to the very door of the factory and the yard of the farm and took over and organized thoroughly the short haul in this country up to distances of a hundred miles and over.

Motor Truck Leaps Into Lead

It is obvious also that war necessity placed thousands of American motor trucks in Europe, where they proved most efficient in moving men and supplies to critical points in the line of battle more than 200 miles long. Indeed, it is asserted that without American motor trucks and the road system of France the Germans would never have been stopped in their first drive on Paris.

It is obvious, too, that motor trucks will play an important part in the reconstruction of Europe. But it is not quite so obvious that the system already developed in America is to be followed by one in Europe on the same scale, but with reverse functions. Yet the two are inseparable, and to gain a complete conception of the coming European system of motor truck transport, it is first necessary to study the one already in operation in America.

And it is a highly interesting study. For while persons in the industry and those in industries which have been aided by the motor truck have some knowledge of the subject, the general American public has little complete and exact conception regarding the wide spread of this newest transportation element.

It is related in the motor transport industry that when the break came in the regular operation of the railroads a manufacturer with factories in the Middle West, who commonly got his materials at the Atlantic seaboard, found his plants on the point of exhausting their raw supplies. He determined to cut the knot and secured a big fleet of motor trucks. It was an emergency case which justified the long haul. He successfully moved his materials from an Atlantic port to his Middle Western plants.

Railroad Congestion Depleted Stocks Sadly

A New England corporation in normal times got its raw materials at Pennsylvania iron mines. Railroad congestion left this company with a sadly depleted stock of its manufacturing necessities. Again the motor truck was summoned to the rescue.

That was the beginning. The success of these comparatively long haul motor truck lines, which were run regularly during the emergency by the manufacturers, showed the way. At about the same time the government began sending motor trucks destined for the armies abroad to the Atlantic ports under their own power for shipment abroad. It was soon found of relief to the railroads to secure cargoes for these trucks of munitions also intended for Atlantic ports and ultimately destined for the fighting forces in Europe. So, soon the government was operating these long trains of motor trucks on their one-way trips to the Atlantic coast.

Groups of war munition factories with relations such as made constant commerce between them necessary soon began to use the motor truck in regular fleets, operated between the plants. For instance, a plant which made shell cases sent the cases by motor truck to another plant to be loaded. Soon the country was fairly covered by lines of motor trucks over-

ated more or less irregularly, with loads on only one way of their trip.

Organizing New Transportation Means

Then followed a quick period of systematization and organizing. The National Automobile Chamber of Commerce, the Council of National Defense, the National Food Administration, the States Relations Service, the Chamber of Commerce of the United States, the Department of Labor, the National Railroad Administration, the Highways Transport Committee and other agencies studied the question and devised and put into effect constructive measures. Return loads were established that the trucks might not travel empty one way. The government departments stimulated the establishing of motor truck express lines throughout the country.

The German General Staff believed confidently that America could not come fully into the war until some time in 1919, when it would be too late to influence the issue. But the speed and efficiency of the motor truck made that German calculation, like so many others, a boomerang. Soon there were in operation over the entire United States regular motor truck lines, which operated on regular routes and schedules. These, absorbing the short haul traffic up to distances of well over a hundred miles, became the natural feeders for the railroads at the same time that they relieved them of much difficult way traffic.

The inadequacy of the railroad systems to the short haul traffic has long been recognized. In the case of shipments which are to go only a little distance on a railroad, as much preparation must be made as for a transcontinental railroad in the matter of preliminary transportation. The goods must be collected at their point of origin and transported to a railroad station. There they must be sorted and shifted about until a train is made up for their destination or enough freight accumulated for a way train. At their destination they must be again sorted and transported to the place of ultimate consumption.

Express Trains To the Farms

The motor truck line spared the railroads this trouble with short haul freight. Soon the rapidly increasing number of local motor truck express lines carried the collection of goods for shipment to a fine point. Expresses ran to the farms of the country and carried the farmers' products to market, returning with supplies for the farms. In this way the farm products reached their consumer hours in advance of the former time of delivery and in much better condition. Also the farmer did not have to spend any of his hours during the busy seasons on the farm transporting his products to market. He was enabled to stay on the farm and devote himself to his proper business in life, the raising of food which ultimately not only fed the nation at home but the fighters for freedom overseas.

To the very doors of factories motor

expresses ran. Goods destined for distances of a hundred miles were delivered by the truck which loaded them; goods for longer distances were taken to the railroads.

Soon this multiplicity of motor truck transport had its effect. Materials of war reached Europe long in advance of the time expectation set by the Germans. And motor trucks too were sent overseas in such numbers that, according to some authorities, the war was won because with the motor truck the Allies were enabled to rush men and vital supplies to spots of peril in the most speedy fashion. All of this increased transportation and this greater efficiency which finally won the war came because the motor truck added to the situation its relief of the railroads.

At first all of the trucks travelled empty one way. The Return Loads Bureau was a step which came before complete organization of the traffic. Owners of motor trucks registered with the bureaus, which were widely established over the country through the instrumentality of chambers of commerce and similar bodies. Shippers were asked to communicate their needs to the bureaus. In this way the bureaus acted as a clearing house for motor truck traffic needs.

Finding New Routes Through U. S.

This development greatly assisted the setting up of routes with regular schedules which carried goods both ways. Hundreds of such routes were established. Out of New York City alone the number of sizable routes ran into two figures, and the distances travelled by some of them well over 200 miles. They ran to Boston, Philadelphia, Yonkers, Mt. Vernon, New Rochelle, White Plains, New Haven, Hartford, Springfield, Mass., the Long Island towns; Paterson, Passaic, Newark, Elizabeth, New Brunswick, N. J., Baltimore and Washington. Twenty-two rural lines, fifteen of which ran out of Baltimore, were established in Maryland, while five ran out of Washington. The combined capacity of the lines out of Baltimore and Washington was more than 100 tons of farm produce daily. The daily service was 115,000 ton-miles or 35,000,000 ton-miles a year.

The New York-Philadelphia line is a good illustration of the more important. It maintained a less than 24-hour service from shipper to consignee between the two cities. A man in New York, for instance, wished to make a small shipment to Philadelphia. He telephoned in the afternoon to the office of the motor transport in New York. A two- or three-ton truck called at his place of business and carried the shipment to the New York terminal of the company. There it was made a part of the load of one of the six-ton trucks regularly in service between the two cities. These cars were sealed in transit and had side and end doors.

The next day the shipment arrived at the Philadelphia terminal of the company and was unloaded and placed upon one of the smaller one or two

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Professor Johnson Says Government Should Extend Own Credit to Private Roads When Necessary to Provide Adequate Facilities to the Public

By Emory R. Johnson
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THE railroad administration has requested that authority be given it to operate the railroads of the United States for a period of five years. This request has been made in order that the railroad administration may show what can be accomplished by government operation and control during normal peace times. Also, that plans may be worked out for developing waterways and articulating them with the railroads, and for bringing about the unification and more systematic development of railroad terminals at all important inland and seaboard cities. Other reasons have been given for favorable action upon the request, but the foregoing are those that possess real merit.

Congress will, however, adjourn on the 4th of March without providing for the extension of government operation of railroads from a two-year to a five-year period. During the last two months the Senate Committee on Commerce has been investigating the railroad question, and it will doubtless continue its investigation during the recess of Congress. Presumably the Committee on Interstate and Foreign Commerce of the House of Representatives will undertake the investigation of the railroads for the purpose of deciding upon a programme of remedial legislation.

21 Months Adequate Time for Legislation

It is evidently the belief of a majority of both houses of Congress that adequate legislation for the control or regulation of the railroads can be enacted within the present statutory period of twenty-one months from the time of the proclamation of peace. It would seem that the enactment of remedial legislation does not require an extension of the period of government operation of the railroads. The only valid reason for continuing government operation for five years would be to enable the railroad administration to work out a unified national transportation system of railroads and waterways. The accomplishment of this would be desirable, but it was not for that purpose that Congress gave the President power to assume control of the railroads.

Strong pressure is being brought upon Congress to change government control into government ownership. The proposal of the railroad employees' organizations is that the government purchase the railroads and

the railroad executives have suggested the creation of a Cabinet office, headed by a secretary of transportation, who shall take over the administrative functions now performed by the Interstate Commerce Commission, with the exception of enforcing uniform accounting and completing the valuation of the railroads. It is understood, however, that the railroad executives are less enthusiastic than they were a few weeks since regarding this proposal. It probably will not be seriously pressed.

The railroad executives go further than the Interstate Commerce Commission does in providing for regional commissions to take over the work of rate regulation now performed by the state public service commissions. The Interstate Commerce Commission, however, would have Congress provide for the cooperation of the interstate and state commissions. The difference between the railroad executives and the Interstate Commerce Commission as regards regional commissions is one of detail.

Where the Executives' Plan Is Weaker

The plans both of the railroad executives and of the Interstate Commerce Commission fail to deal adequately with railroad credit, railroad capitalization and the reduction of the number of railroad companies. Any permanent solution of the railroad question must include a plan whereby the present weaker railroad companies may secure at a reasonable cost the capital necessary for the development of their facilities that is required to enable them to serve the public adequately. This can be brought about only by government guarantee of the credit of the weaker roads or by a plan that will associate the weaker roads with the stronger ones, and will group the earnings and expenses of the combined systems.

A permanent solution of the railroad question seems certainly to require that the present large number of railroad companies be reduced to a limited number of corporations. The choice here must be between two plans. One plan would be to divide the country territorially and bring the railroads in each of the ten or twelve regions under the control of a single corporation. The other and more logical plan is to group our various railroad lines about the twenty or twenty-five leading railroad systems. These large railroad systems, like the Pennsylvania, the Illinois Central, the Northern Pacific, for instance, have developed in response to commercial needs. It would seem wise to continue these and the other large systems and group the minor roads about the large systems. Federal incorporation is not necessary, but is desirable.

Adding Bulwarks Of Strength to R. R. Credit

The strengthening of railroad credit can come about only by the government guarantee of the securities of the railroads or by a policy of regulation that makes it mandatory upon the reg-

ulating authority to establish rates that will yield adequate revenue. This subject needs more thought and analysis than have yet been given it, but it would seem desirable that the government should not only require the Interstate Commerce Commission to fix rates that will produce an adequate revenue, but should provide for the extension of government credit where and in so far as it may be necessary to enable the railroads to provide facilities required by the public.

Railroad Shares Strong Under Strain

Prices but Little Affected by Failure of Deficiency Bill; Price Comparison

A crisis in the financial affairs of the country's railroad system was brought to a focus last week by the failure of the expiring Congress to pass the deficiency bill, thus cutting off the roads from an appropriation of \$750,000,000 for additions, betterments and improvements, which might have been expected to cause great apprehension in financial and industrial circles.

But if there was any such feeling it did not reflect in the market action of railroad securities, usually accepted as a fairly accurate barometer of railroad conditions.

What happened was this: A few timid holders of railroad stocks and bonds sold their securities, but the rank and file of owners of investments of this character, confident in the ability of the railroad administration and the bankers to work out a practicable plan for meeting the emergency, refused to sell. The net result was a fairly steady market for railroad securities, the majority of such issues at the close of the week standing at about the level of the preceding week.

In view of the great problems that loomed ahead in the matter of the future of the railroads the following comparison of the market position of the shares of the leading railroad properties at current prices with the low prices of 1918 and this year to date is of interest:

Road	Close last week	Low, 1918	Low, 1919
Admission	92 1/2	87	87
Baltimore & Ohio	48	44	48 1/2
Chesapeake & Ohio	58 1/2	53 1/2	49 1/2
Great Northern	84	80 1/2	86
Illinois Central	99	96	92
Lehigh Valley	55	54	53 1/2
New York Central	75 1/4	69 1/4	67 1/2
Norfolk & Western	104 1/2	103	102
Northern Pacific	83 1/2	84 1/2	81 1/2
Pennsylvania	44 1/2	44 1/2	43 1/2
Reading	84 1/2	75	70 1/2
Southern Pacific	130 1/2	124 1/2	128 1/2
Southern Railway	103 1/4	95 1/2	89 1/2

This week the leading financial men of the country, including in their number some of the greatest bankers of Wall Street, will meet the railroad administration officials at Washington. They go there prepared to cooperate in every way possible with the Federal officials in providing the necessary funds to tide the roads over their temporary difficulty. At the close of last week a prominent banker in the financial district said "there is not the slightest reason for apprehension over the railroad situation," and that is apparently the feeling of the holders of railroad securities. They would, however, like an early end of the uncertainty as to the future control of the roads.

Canada Too Is Worrying About Roads

Dominion Suffering Chiefly From an Oversupply of Railroad Mileage

Duplication Is Costly

Government Operated Lines Meet Stiff Competition From Canadian Pacific

Special Correspondence
MONTREAL, Feb. 28.—The outcome of the present railroad imbroglio in the United States is certain to be an important factor in influencing, if not determining, Canadian railroad policy during the next decade.

There is reason to expect that a strong effort will be made at this session of Parliament, which opened on February 20, to commit the government to nationalization of the Grand Trunk Railway, as well as the Grand Trunk Pacific. With these roads included with the Canadian Northern, the Intercolonial and the National Transcontinental railways in the system of the Canadian National Railway, competing with the Canadian Pacific in all branches of service—freight and passenger traffic, express, telegraphs, hotels, land settlement and even ocean transportation—the issue between private and public ownership and operation of railways in Canada apparently will be fully joined. The example of the United States will add much strength to one side or the other in the coming contest. This fact is recognized by business men and politicians in the Dominion, and they are watching closely railroad developments in the United States.

There is hope, indeed, that a solution of the transportation difficulty south of the border may be found which may give a lead to this country in the matter of railway policy, although in certain respects Canada's problem is more difficult than that of the United States.

Needless Duplication In Canada's System

The Dominion's recent railway situation is the result of premature duplication, and even triplication, of lines in territory from which paying traffic cannot be expected for years. As a result Canada has one mile of railway to every 210 people, compared with one mile to every 400 in the United States, and with a population of less than one-twelfth that of the United States Canada has one-sixth as much railway mileage. The Canadian Pacific Railway, of course, has been richly successful. Of the Canadian Northern and the Grand Trunk railways it may be said in a general way that the former had promising prospects in Western Canada, while the latter's lines were well placed and moderately successful in Ontario and Quebec. But when both aspired to the status of transcontinentals they overreached themselves. Following the majority recommendation of the Drayton-Acworth-Smith Commission, appointed in 1916 to consider the whole Canadian railroad problem, the Dominion government has purchased the shareholders' equity in the Canadian Northern and has linked that road with the Intercolonial and the National Transcontinental railways, all under a centralized management of business men, who are adding the lines into what may well be a formidable rival of the Canadian Pacific Railway system. The Dominion government now owns and, through the directorate of the Canadian Government Railways, as the public ownership system is designated, operates 14,000 miles of railway out of a total of 38,000 miles in Canada, and 56,000 miles of telegraph lines, and it also will operate forty-eight vessels, which are now under construction on government account for the Atlantic, Pacific and Great Lakes services.

So far the Grand Trunk Railway has escaped the nationalizers, but it can hardly be for long. The Grand Trunk Railway refused to fulfil its agreement, to take over the National Transcontinental Railway between Moncton, N. B., and Winnipeg, a line built by the government at great expense, and partly for political purposes. Then the burden of the Grand Trunk Pacific proved too heavy. When the war closed the financial markets to Canadian commercial securities, the Grand Trunk Pacific Company could not finance itself and was obliged to turn to the government. The dependence became chronic and the company attempted to escape by leaving the Grand Trunk Pacific upon the hands of the country. Purchase by the government of the Grand Trunk lines and their incorporation in the Canadian National Railway system would open up interesting possibilities and afford ample scope for those constructively inclined. Can the government organization "beat out" the Canadian Pacific Railway? Will the Federal and provincial authorities cooperate with the public ownership road in promoting settlement of the lands contiguous to the Canadian Northern and Grand Trunk Pacific lines? Will the Dominion's immigration offices abroad all be in effect colonization agencies for the Canadian government railways? The probability of official immigration efforts diverting business to the public ownership railway system may be increased if the Cunard Steamship Line carries out its pre-war contract with the Canadian Northern Railway and now cooperates with the Canadian National Railway. The effect of such government policy would be to use public taxes, to which the Canadian Pacific Railway contributes heavily, to support competition with the latter road and to its detriment. In this connection it is in-

Approaches to a Solution of the Transportation Problem

	RAILWAY EXECUTIVES	ASSOCIATION OF RAILWAY SECURITY OWNERS	INTERSTATE COMMERCE COMMISSION	WALKER D. HINES, DIRECTOR-GENERAL	BROTHERHOODS	VICTOR MORAWETZ	PAUL WARBURG
OWNERSHIP AND OPERATION	Private	Private	Private	Private	Government ownership. Operation by private corporation run by employees, which pays government a rental out of the receipts of operation.	Private	Private
MERGERS	Federal incorporation with mergers allowed, subject to approval of Secretary of Transportation.		Mergers of existing companies may be made in the public interest.	Roads of each locality to be combined into regional systems, six to twelve in number.	Roads all to be operated by one private corporation, stock of which is to be held in trust for the exclusive benefit of the employees.	Railroads to be consolidated into ten or fifteen Federal corporations. Present securities to be refunded by 4% debentures and stocks.	Under Federal franchise, mergers may be made, subject to supervision of Federal regulating body.
REGULATION OF SECURITIES	Federal control exclusively.	Under supervision of Regional and Interstate Commission.	Federal regulation of the issuance of securities.			Debentures and stock to be issued only as authorized by Federal Railway Board.	By Federal regulating body.
CONTROL	A cabinet officer "Secretary of Transportation" to be appointed. Interstate Commerce Commission should be relieved of executive and administrative duties, except as to valuation and accounting, and act as quasi judicial body. Regional Commissions.	Federal regulation through Interstate Commerce Commission, as at present constituted, co-ordinating with six Regional Commissions. Co-ordination between State and Regional Commissions.	Better defined relationship between State and Federal control. A broadening of Federal control.	Five-year extension of Federal control. Modified private operation and control thereafter. Government representation on Boards of Directors.	No "Secretary of Transportation" continuation of powers of Interstate Commerce Commission. The directors shall be selected, one-third by non-appointed employees; one-third by appointed officers and employees; one-third by President.	Federal corporations to be under regulation of a Federal Railway Board headed by Cabinet Officer. Specified number of directors of Federal corporations to be appointed by Federal Railway Board. Regional boards and one central board of regulation.	Regional Board upon which State commissions might be represented with a reorganized Interstate Commerce Commission of 5 or 7, half judicial and half administrative in character at head.
RATES AND RETURN ON CAPITAL	Regulation of rates by Federal government exclusively. Carriers may initiate rates which shall become effective unless disapproved by Secretary of Transportation. Statute shall specifically provide for adequate rates, which must reflect cost of wages and other expenses. Rates may upon complaint be brought before I. C. C. for review with power to prescribe minimum rates.	A minimum rate of return, fixed by Act of Congress, through rates adjusted as occasion may demand. Interstate rates to be left in hands of State Commissions.	Revenues should be "adequate" and "reasonable." No statement as to any change in the method of rate procedure.	Government to ascertain and guarantee railroads a fixed fair return.	Under regulation of Interstate Commerce Commission. When the government's share of the distribution of profits exceeds 5% of the gross operating revenues, reductions in rates should be made to absorb the 5%.	To be regulated by Federal Railway Board through central and regional boards; local rates to be referred to regional boards, through rates to central board.	Rates to be determined by Federal regulating body. Railroads accepting plan to be guaranteed 4 1/2% on Federal valuation.
DISTRIBUTION OF PROFITS		Earnings in excess of fixed reasonable return to be distributed among employees, railroads earning them, and for certain improvements not to be capitalized in rate making.		Profits above the specified fair return to be moderately shared in by the railroads and the government, possibly also by labor.	Government guarantees return on bonds issued in exchange for existing capital. Any balance over this is to be divided between operating corporation and the government for the purpose of enabling the Interstate Commerce Commission to reduce rates. The operating company will disburse its share to the employees, in proportion to their annual wages.	Government to guarantee dividends of \$2.50; any distribution in excess of \$4 to be divided with government. Government to have option to buy stock at any time at \$5 per share.	Any return on capital between 6% and 7% to be divided with government and possibly with labor. All over 7% to go to government.
FINANCING	Provisions to be made for funding by the United States of indebtedness of carriers to it growing out of Federal control.	A Federal corporation directed by the nine Interstate Commerce Commissioners and eight railroad men to finance purchase of equipment from the Railroad Administration, purchase of new equipment, and financing of the return of the roads to private control.		Comprehensive program of capital expenditure during five-year period; probably to be provided partly by government; partly by roads themselves where able to borrow.	All financing to be done by the government.	Debentures to be issued to an amount such that interest requires 40% of operating income. Balance of operating income to be capitalized at 6% in stock.	
JOINT USE OF TERMINALS, ETC.	Subject to direction of the Secretary of Transportation; also other similar matters.	To be arranged, also re-routing of freight, etc., by above Federal Corporation.			A committee of nine directors of operating company empowered to make binding and final decisions in all wage disputes.		
WAGES	This and similar questions to be settled by officers and representatives of individual employees affected, if possible, otherwise by a board under the Secretary of Transportation.	Regional Commissions to act as Boards of Conciliation. Appeal to Interstate Commission.					

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